


SEVENTY-FIRST ANNUAL REPORT 1976

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THE MONARCH LIFE ASSURANCE COMPANY



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THE MONARCH LIFE ASSURANCE COMPANY

SEVENTY-FIRST ANNUAL REPORT 1976

HIGHLIGHTS

	1976	1975
Sales Amount of Life Insurance	409,347,000	296,121,000
Premiums on Annuities	11,861,000	9,556,000
Business in Force	1,964,604,000	1,640,489,000
Net Interest Rate	8.12%	7.76%
Assets	286,826,000	259,779,000

500

life insurance sales

400

409,000,000

300

296,000,000

200

100

68,000,000

1965

78,000,000

1970

1975

1976

Report of Directors

To the Seventy-First Annual Meeting of The Monarch Life Assurance Company to be held at the Head Office of the Company, in Winnipeg, on February 24th, 1977.

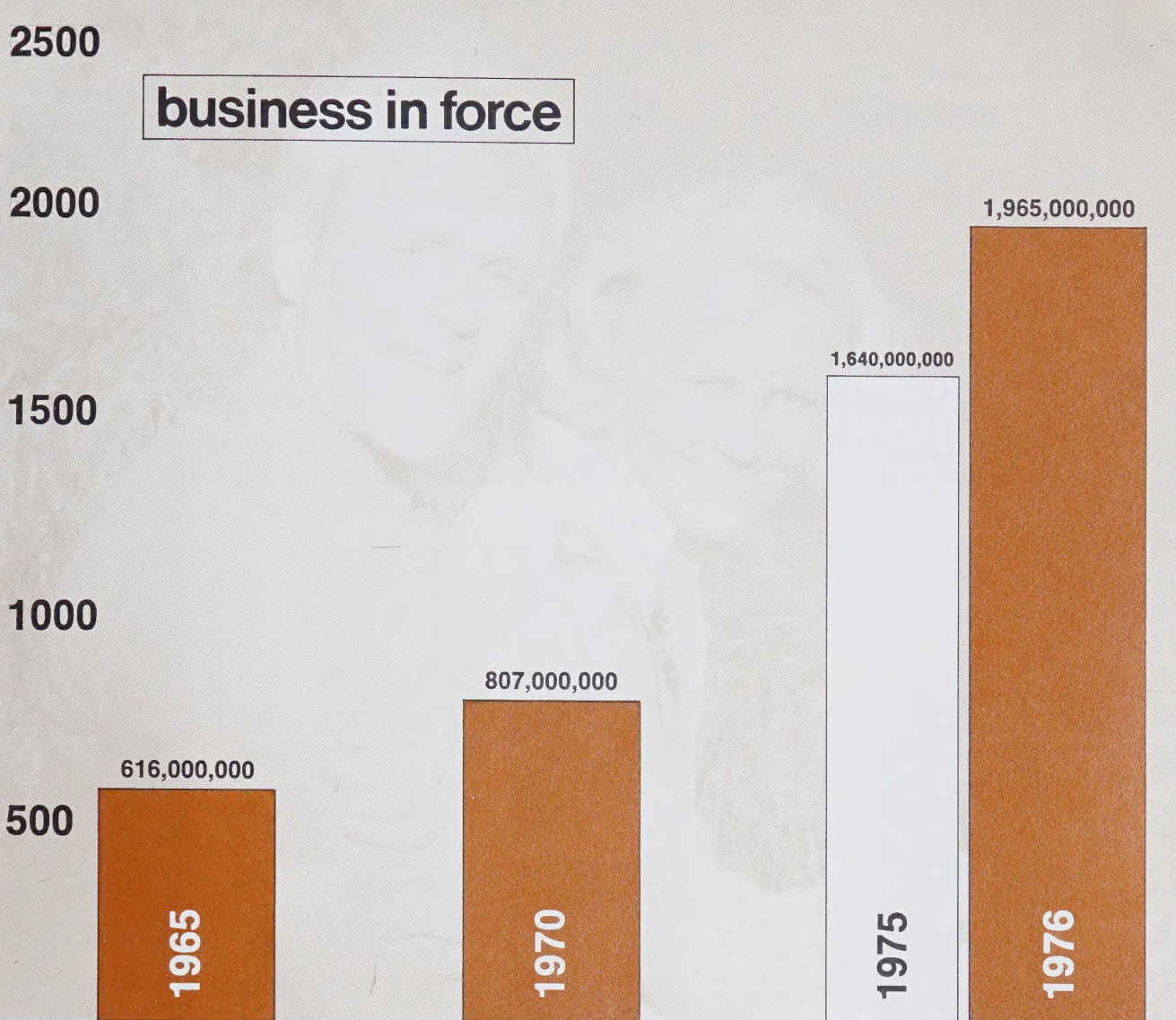
SALES

The amount of life insurance sold in 1976 was \$409,347,000, a 38% increase over 1975 sales of \$296,121,000.

The recent period of inflation has caused individuals to reassess their plans for the future financial security of themselves and their

families. The need for increased amounts of life insurance at moderate cost became evident. In 1976 the average amount of insurance purchased by adults was \$37,000 and low cost term insurance represented 53% of the total amount sold by our representatives.

Premiums on annuity sales were \$11,861,000, an increase of 24%. Of this total \$4,564,000 represented sales of Income Averaging Annuities which provided the opportunity for individuals to spread the tax consequences of certain types of income over a period of years.



\$5,882,000 represented sales to individuals who took advantage of the long term savings and tax advantages of our attractive Registered Retirement Savings Plans.

Term insurance, Income Averaging Annuities and RRSP annuities are just part of the integrated financial and tax planning services available through our sales representatives.

The Company's total business in force at year end was \$1,964,604,000 compared with \$1,640,489,000 at the end of 1975.

ASSETS

At year end, assets were \$286,826,000, an increase of \$27,047,000 or 10.4%.

The rate of interest earned on our entire portfolio, after deduction of investment expenses, rose to 8.12% from 7.76%.

Bonds and first mortgages are shown on our books at amortized cost. Stocks and real estate are shown at cost or less. During 1976 interest rates continued at high levels and as a result the market value of bonds purchased in prior years remained at low levels. Thus, in the aggregate, year end book values of our bond and stock investments exceeded values authorized by the Department of Insurance of Canada by \$7,592,000. Our Investment and Contingency Reserve of \$7,800,000 is intended to provide for such asset fluctuations.

300

assets

200

100

287,000,000

260,000,000

117,000,000

164,000,000

1965

1970

1975

1976

INVESTMENTS

Investments were made in a wide variety of residential, commercial and industrial mortgages and in corporate bonds and stocks. New funds directed to long term investment were apportioned 61% to mortgages, 28% to bonds and 11% to stocks. Housing, both single family dwellings and apartments, represented 70% of new mortgage investments.

SEGREGATED INVESTMENT FUNDS

The investments of these funds are segregated in the sense that they are not mingled with the other assets of the Company. They support the special series of group pension policies

available to employers for their company pension plans. Individual policyholders may also invest their policy dividends in the segregated fund. At year end the total of these segregated investment funds was \$10,297,000, an increase of 22%.

POLICY LOANS AND SURRENDERS

Requests for policy loans increased moderately in 1976. The amount of policy loans outstanding was \$12,562,000 at year end and represents 4.4% of assets, the same percentage as 1975.

The number of policies surrendered for cash in 1976 and the amount of cash payments were significantly higher than in 1975.

MORTALITY

For 1976, our mortality experience was 8% better than expected, whereas in 1975 our experience was normal. Fluctuations in mortality experience can and do occur from year to year.

POLICYHOLDERS

The amount paid to policyholders and beneficiaries in 1976 was \$22,930,000. In addition, \$25,176,000 was allocated to policy reserves for future payment. The total of \$48,106,000 paid or set aside compares with \$41,482,000 paid or set aside in 1975.

EXPENSES

Reflecting both inflationary pressures and the much greater increase in sales, our operating expenses for 1976 were 25% higher than for 1975. Despite this, our sales cost ratio decreased 6% while our administration cost ratio increased moderately. The combined cost ratio was a slight improvement over 1975.

NET INCOME AND SURPLUS

In the statutory basis of accounting required of life insurance companies, as referred to in note 3, the full acquisition costs of new business are written off in the year incurred and investment in new business becomes a major disbursement. In the aggregate, sales costs and the establishment of policy reserves exceed the first year premiums received.

With level sales from year to year, emerging profits would normally be sufficient for the investment in new business. However, in a year of exceptional sales growth such as we experienced in 1976, additional investment is required with a corresponding reduction in net income from operations. Net income was \$869,000 in 1976 compared to \$1,780,000 in 1975.

After all operations and provisions, surplus increased \$316,000 to \$15,513,000.

SHAREHOLDERS

The net income attributable to shareholders includes:

- (i) the net income of the non-participating and shareholders' division, and
- (ii) the amount transferred from the participating division to the shareholders' division, limited as explained in note 4.

For 1976 the net income attributable to shareholders was \$1,602,000 or \$3.20 per share. For 1975 it was \$2.69 per share.

\$ 1,344,000

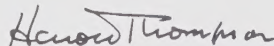
GENERAL

To the staff and representatives whose efforts made the very satisfactory results possible, the Directors extend sincere thanks and appreciation. The confidence and enthusiasm of the sales force, staff and officers is shared by the Directors.

On behalf of the Directors,



T. BRUCE ROSS, Chairman of the Board



HAROLD THOMPSON, President
and Chief Executive Officer

SEVENTY-FIRST ANNUAL REPORT 1976



statement of f

ASSETS

	December 31	
	1976	1975
BONDS		
Federal, Provincial and Municipal	\$ 44,203,000	43,169,000
Public Utility, Industrial and Others	92,204,000	83,834,000
STOCKS	18,308,000	16,097,000
FIRST MORTGAGES		
Homes and Apartment Buildings	43,240,000	33,423,000
Office, Retail and Warehouse Buildings	55,182,000	51,158,000
REAL ESTATE		
For Investment	3,747,000	3,670,000
For Company Use	2,500,000	2,500,000
POLICY LOANS	12,562,000	11,513,000
CASH	785,000	1,278,000
INVESTMENT INCOME DUE and ACCRUED	2,929,000	2,718,000
SEGREGATED INVESTMENT FUNDS	10,297,000	8,452,000
OTHER ASSETS	869,000	1,967,000

APPROVED BY THE DIRECTORS

T. BRUCE ROSS, Chairman of the Board

HAROLD THOMPSON, President and Chief Executive Officer

\$286,826,000

259,779,000



THE MONARCH LIFE ASSURANCE COMPANY

Financial position

LIABILITIES, CAPITAL and SURPLUS

	December 31	
	1976	1975
DIRECT OBLIGATIONS TO POLICYHOLDERS		
POLICY RESERVES	\$214,003,000	190,672,000
This amount together with future premiums and interest will provide for the payment of all benefits on policies in force.		
POLICY BENEFITS IN COURSE OF PAYMENT	1,345,000	2,691,000
POLICY BENEFITS ON DEPOSIT	24,151,000	22,717,000
POLICY DIVIDENDS PAYABLE	3,400,000	3,100,000
SEGREGATED INVESTMENT FUNDS	10,297,000	8,452,000
STAFF PENSION AND INSURANCE FUNDS	7,549,000	6,681,000
OTHER LIABILITIES	1,768,000	1,469,000
	<u>262,513,000</u>	<u>235,782,000</u>
SHARE CAPITAL	1,000,000	1,000,000
Authorized 1,000,000 shares of \$2 par value		
Issued 500,000 shares		
INVESTMENT AND CONTINGENCY RESERVE	7,800,000	7,800,000
SURPLUS	15,513,000	15,197,000
	<u>24,313,000</u>	<u>23,997,000</u>
	<u>\$286,826,000</u>	<u>259,779,000</u>

SEVENTY-FIRST ANNUAL REPORT 1976

statement of operations and surplus

	For the Year	
	1976	1975
INCOME		
Insurance and annuity premiums	\$40,904,000	34,776,000
Investment income less expenses (\$531,000, 1975-\$408,000)	21,642,000	18,498,000
Other	1,548,000	1,362,000
	<u>64,094,000</u>	<u>54,636,000</u>
DISPOSITION OF INCOME		
Paid or set aside for policyholders		
Death and disability benefits	3,297,000	3,235,000
Matured endowments	1,373,000	1,495,000
Annuity payments	4,024,000	3,165,000
Surrender benefits	7,668,000	5,756,000
Policy dividends	3,346,000	3,047,000
Interest credited to amounts on deposit	1,435,000	1,337,000
Increase in reserve for future payments to policyholders and beneficiaries	23,831,000	19,523,000
Increase in Segregated Investment Funds	1,845,000	2,255,000
Other	1,787,000	1,548,000
	<u>48,606,000</u>	<u>41,361,000</u>
Commissions	4,924,000	3,734,000
Operating expenses	8,896,000	7,114,000
Premium and income taxes	799,000	647,000
	<u>63,225,000</u>	<u>52,856,000</u>
NET INCOME	869,000	1,780,000
APPROPRIATIONS AND ADJUSTMENTS		
Adjustments to book values of assets and net profit (loss) on sale of securities	(543,000)	(77,000)
Increase in Investment and Contingency Reserve	—	(800,000)
Appropriation from (to) Policy Reserves	500,000	(121,000)
Dividends to shareholders	(510,000)	(500,000)
INCREASE IN SURPLUS	316,000	282,000
SURPLUS, January 1	<u>15,197,000</u>	<u>14,915,000</u>
SURPLUS, December 31	<u>\$15,513,000</u>	<u>15,197,000</u>
ALLOCATED TO		
Participating policyholders' division	\$ 4,182,000	4,707,000
Shareholders' and non-participating policyholders' division	11,331,000	10,490,000
	<u>\$15,513,000</u>	<u>15,197,000</u>

THE MONARCH LIFE ASSURANCE COMPANY

notes to financial statements

1. In the Statement of Financial Position, Bonds and First Mortgages are shown at amortized cost, Stocks and Real Estate at cost or written down values and Segregated Investment Funds at market value.

Bonds and Stocks are shown at values which, in the aggregate, exceed the values authorized by the Department of Insurance of Canada by \$7,592,000 (1975 – \$7,525,000), provision for which is included in the Investment and Contingency Reserve.
2. Under a Stock Option Plan adopted in 1966, the Company may grant to executives for periods not exceeding 15 years, options to purchase shares of the unissued capital stock of the Company at a price equal to the market value of such stock on the date granted; provided, however, that the number of shares which may be purchased under such options may not exceed 50,000. To date no options have been exercised and 20,000 shares at \$20 per share are under option, 10,000 until 1979 and 10,000 until 1984.
3. The Company follows generally accepted accounting principles modified by the requirements of the Department of Insurance of Canada. These modifications include:
 - (a) The costs of acquiring business are charged off as expenses in the year incurred rather than over the periods expected to be benefited.
 - (b) Non-admitted assets such as furniture and equipment are charged off as expenses in the year acquired.
 - (c) Income taxes are provided for on the basis of the "taxes payable" method.
4. Distributions of earnings to policyholders and shareholders are determined by the Board of Directors. For the participating division 90% of the amount distributed is allotted for policyholder dividends and 10% is transferred to the shareholders' division. This complies with Canadian insurance law governing the allocation of participating division earnings between policyholders and shareholders.

AUDITORS' REPORT

January 21, 1977

To the Policyholders, Shareholders and Directors of The Monarch Life Assurance Company:

We have examined the Statement of Financial Position of The Monarch Life Assurance Company as at December 31, 1976 and the Statement of Operations and Surplus for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these statements present fairly the financial position of the Company as at December 31, 1976 and the results of its operations for the year then ended in accordance with accounting practices prescribed or permitted by the Department of Insurance of Canada, as explained in note 3 to the Financial Statements, applied on a basis consistent with that of the preceding year.

Winnipeg, Manitoba

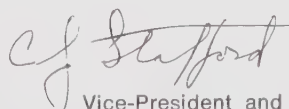


Chartered Accountants

ACTUARY'S CERTIFICATE

January 21, 1977

I hereby certify that the amounts shown in the Policy Reserves and the Segregated Investment Funds, in my opinion, make good and sufficient provision for all unmatured obligations of the Company guaranteed under the terms of its policies.



F.S.A., F.C.I.A.
Vice-President and Senior Actuary

THE MONARCH LIFE ASSURANCE COMPANY

board of directors

T. BRUCE ROSS, LL.D. Chairman of the Board
HAROLD THOMPSON . . . President and Chief Executive Officer

PAUL N. DuVAL	CONRAD S. RILEY, M.B.E.
DOUGLAS D. EVERETT	*STEWART A. SEARLE, JR.
*WILLIAM G. KONANTZ	GEORGE E. SHARPE
*GORDON LAWSON, LL.D.	J. GORDON SPEIRS
RICHARD S. MALONE, O.B.E.	ALAN E. TARR
*WILLIAM B. PARRISH	JOHN T. WOODS, Ph.D.
*S. PRICE RATTRAY, LL.D.	

*Policyholders' Directors

EXECUTIVE OFFICERS

HAROLD THOMPSON . . . President and Chief Executive Officer
ALLAN G. DENNIS Vice-President, Marketing
ALAN E. TARR Vice-President, Investments
DONOVAN A. MCCARTHY, Q.C. . . Vice-President and Secretary
DOUGLAS B. STEVENS Vice-President, Administration
C. J. STAFFORD Vice-President and Senior Actuary

Share Transfer Agent and Registrar: CANADA PERMANENT TRUST COMPANY
At its Principal Offices in Montreal, Toronto, Winnipeg, Calgary and Vancouver

administrative organization

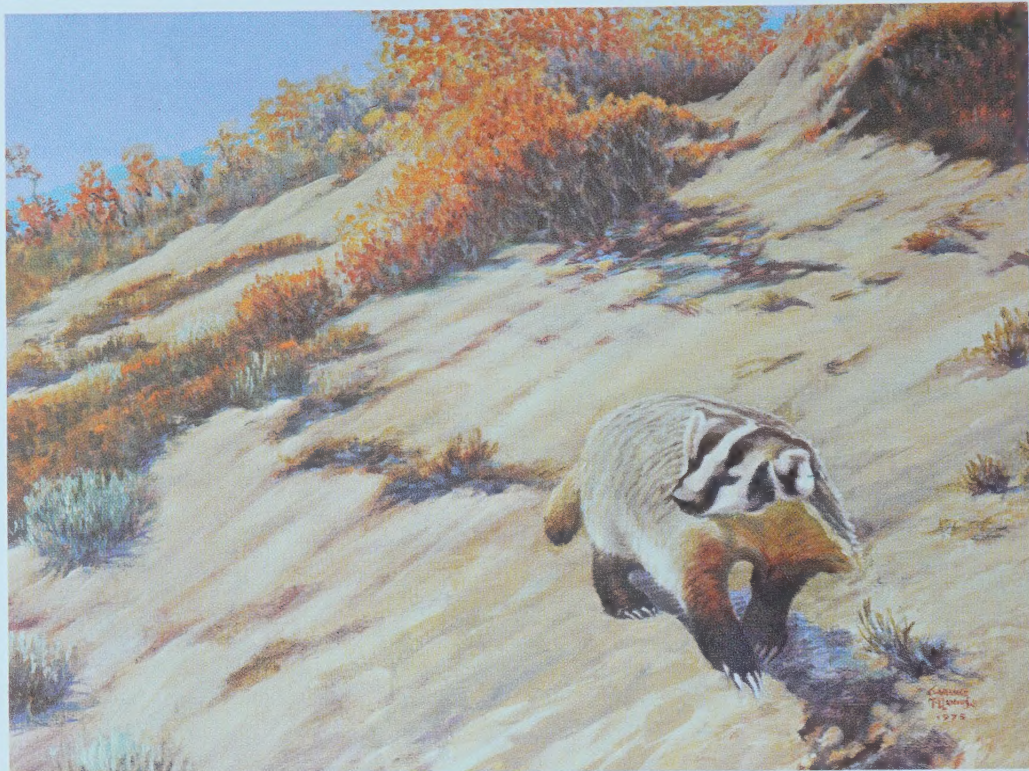
HAROLD THOMPSON, F.S.A., F.C.I.A., President and Chief Executive Officer

A. G. DENNIS	Vice-President, Marketing
Sales Development	T. Uster Superintendent of Sales
	R. T. Sandstrom Superintendent of Sales — Eastern
	K. A. M. Walker, C.L.U. . . . Superintendent of Sales — Western
	D. D. Sheppard, C.L.U. . . . Asst. Superintendent of Sales — Eastern
	G. D. Jamieson, C.L.U. . . . Asst. Superintendent of Sales — Western
Marketing Services	G. E. Thomas Superintendent of Marketing Services
	(Miss) J. Mislawchuk Supervisor of Sales Administration
Sales Training	R. Blouin Supervisor of Sales Training
Sales Promotion	R. Maddocks Superintendent of Sales Promotion
	Group
Group Sales and Service	A. M. Byrne, F.S.A., F.C.I.A. . . Group Actuary
	E. F. Harlow Supervisor, Group Services
	B. J. Thompson Manitoba, Saskatchewan Sales Region
	J. G. Botterill British Columbia, Alberta Sales Region
	S. Gooch Ontario Sales Region
A. E. TARR, A.S.A.	Vice-President, Investments
Investment	R. E. Archer, C.F.A. Investment Manager
	A. E. Hanson, A.A.C.I. Manager, Mortgages & Real Estate
	D. G. Mills, C.F.A. Common Stock Portfolio Manager
D. A. McCARTHY, Q.C.	Vice-President and Secretary
Accounting	K. W. Westlund, C.A. Accounting Manager
Personnel	C. M. Mederski Manager, Personnel & Office Services
Properties	C. J. Rogers, F.L.M.I. Manager, Building & Properties
D. B. STEVENS, F.S.A., F.C.I.A.	Vice-President, Administration
Data Processing	P. J. Sawchuk, F.L.M.I. . . . Director of Data Processing
	L. G. F. Jones Supervisor, Data Processing Operations
	E. Lindgren, F.L.M.I. Manager, Systems & Programming
Policy Service	A. Croteau, A.S.A. Manager, Policy Service
	(Mrs.) T. Fifi Supervisor, Policy Service
	A. Bilodeau Supervisor, Premium Services
	E. Perry Supervisor, Branch Services
New Business	N. P. Walton Manager, Policy Issue & Changes
	E. Shandruk Supervisor, Policy Issue
	T. Weber, F.L.M.I. Supervisor, Policy Changes
Policy Administration	C. E. Addison, F.L.M.I. . . . Executive Assistant, Administration
C. J. STAFFORD, F.S.A., F.C.I.A.	Vice-President and Senior Actuary
Actuarial	L. A. Poole, F.S.A., F.C.I.A. . . Actuary, Individual Insurance
Underwriting	W. A. Riddall Manager, Underwriting
	R. G. Handford, M.D.
	F.R.C.P. (C) Medical Director
	N. L. Handford Senior Underwriter



BRANCH OFFICES

		Telephone Number	Area Code
VICTORIA	D. E. PEGG, 4th Flr., 736 Broughton St.	384-0584	604
VANCOUVER	D. G. CLEMENTS & ASSOC. LTD., 3rd Flr., 545 Clyde Ave.	926-6021	604
	D. LAKUSTA, C.L.U., 1520-777 Hornby St.	689-8831	604
	C. P. LUCENTE, JR., 870-1090 W. Georgia St.	669-4741	604
	P. B. INSURANCE SERVICES LTD., 711-470 Granville St.	684-0311	604
	J. G. BOTTERILL, 1500-777 Hornby St. (Group Sales & Service)	689-8831	604
PRINCE GEORGE	L. J. TOURNIER, C.L.U., 200-1527-3rd Ave.	562-8261	604
EDMONTON	DAY, ROSS & ASSOC. LTD., 800 Empire Bldg., 101 St. & Jasper Ave.	429-1418	403
	W. E. SOUTHRN, C.L.U., 15th Flr., CN Towers, 104 Ave. & 100 St.	422-6125	403
	TAINSH, GIBEAU, SCAMMEL ASSURANCE AGENCY LTD., 211-8204-104th St.	433-5801	403
	M. WYNE, C.L.U., 2311 TD Tower, Edmonton Centre	426-7955	403
RED DEER	P. J. DERKSEN, C.L.U., The Royal Bank Bldg., 300-4943-50th St.	347-1135	403
CALGARY	G. E. FLYNN, 1900-633-6th Ave. S.W.	261-7880	403
	K. P. ROCHE, 800-825 - 8th Ave. S.W.	263-4070	403
LETHBRIDGE	J. H. PROVICK, Professional Bldg., 404-8th St. S.	327-2985	403
SASKATOON	C. W. BLACKMUR, C.L.U., 870 Avord Tower, 606 Spadina Cres. E.	653-0602	306
REGINA	C. J. LIPTON, 1770 Avord Tower, Victoria Ave. & Hamilton St.	523-9631	306
BRANDON	J. R. TOOGOOD, C.L.U., 4th Flr., Royal Bank Bldg., Box 727	727-0721	204
WINNIPEG	B. V. CORDES, 5th Flr., 305 Broadway	943-6565	204
	D. O. EVANS, 6th Flr., 338 Broadway	956-1153	204
	L. H. FYKE, C.L.U., 7th Flr., 363 Broadway	947-6771	204
	B. J. THOMPSON, 333 Broadway (Group Sales & Service)	942-0911	204
THUNDER BAY	A. D. WESTAWAY, C.L.U., 410 Chapple Bldg., Box 326	622-6444	807
WINDSOR	R. D. HEBERT, 1010 - 100 Ouellette Ave.	258-5433	519
LONDON	STEVENSON & HUNT INS. AGENCIES LTD., 2nd Flr, 267 Dundas St.	433-4083	519
	J. D. TAYLOR, 6th Flr., 195 Dufferin Ave.	672-6220	519
KITCHENER	P. A. S. LYON, 1183 King St., E.	745-1131	519
HAMILTON	BRYAN & CO. INSURANCE AGENCY LTD., 36 James St. S.	523-4705	416
	D. S. HILBORN, C.L.U., 2105 - 25 Main St. W.	522-9274	416
	SKYWAY LIFE INSURANCE AGENCIES INC., 604 - 105 Main St. E.	525-7247	416
TORONTO	CLUTCHEY & CO. INSURANCE AGENCY LTD., 106-55 Doncaster Ave.	881-6622	416
	J. LOMAN, C.L.U., 404-40 St. Clair Ave. W.	929-3188	416
	J. B. SMITH, C.L.U., 604-200 Consumers Road	493-3744	416
	S. S. TAERK, C.L.U., 501-50 Gervais Drive	449-7330	416
	(MRS.) S. GOOCH, 502 - 50 Gervais Dr. (Group Sales & Service)	449-4477	416
OSHAWA	R. A. SLANEY, C.L.U., 10022-44 Bond St. W.	725-6588	416
OTTAWA	E. E. LAUGHREN, 1500-85 Albert St.	235-1431	613
MONTREAL	ABRAMS, PECK & ASSOC. LTD., 205-4480 Cote de Liesse Rd.	341-5770	514
	P. ANGELINI, C.L.U., 6600 Cote des Neiges Rd.	731-8257	514
	JOSEPH FRIEDMAN INSURANCE AGENCY LTD., 140 Appin Ave.	739-4202	514
	GUILDO MORNEAU & ASSOC. INC., 906-1010 St. Catherine St. W.	861-1746	514
	RIVARD, LANGEVIN & ASSOC. INC., 906-1010 St. Catherine St. W.	861-1746	514
	SAMUEL PENCER & ASSOC. INC., 3448 Stanley St.	288-2170	514



"Badger Among the Sand Dunes"

CLARENCE TILLENIUS

Clarence Tilenius's concern for our wilderness areas and the animals which inhabit them is evident in each of his works. His detailed paintings are eloquent statements urging us to preserve our magnificent natural heritage. They seem to say to the viewer, "Look carefully, for you may never see this sight again."

In the past two decades, Winnipeg artist Clarence Tilenius has produced an impressive collection of paintings for the Monarch Life Assurance Company. His renowned series, "Monarchs of the Canadian Wilds," has been exhibited by the Company at many points across Canada. "Badger Among the Sand Dunes" is part of a second commissioned series entitled "Small Fur-Bearing Animals."

The Monarch Life Assurance Company is proud of its association with Clarence Tilenius and shares his desire for the preservation of Canada's unique wildlife heritage.



THE MONARCH LIFE ASSURANCE COMPANY

333 BROADWAY, WINNIPEG, MANITOBA, CANADA